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VIA EMAIL

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

Dear Ms. Johnson:

RE: DOCKET NO. R-1370 Proposed Rule on CARD Act Requirements Effective February 22, 2010

As one of the world's largest global payment processors, TSYS processes nearly one out of every two Visa and MasterCard consumer credit card accounts in the United States. TSYS has reviewed the proposed rule and in recognition of the compressed time constraints, TSYS is providing very specific and concise comments. Please contact us should you desire additional details or further conversation.

ESCALATION OF JULY 1, 2010 REQUIREMENTS

The preamble to the proposed rule indicates the Board is considering escalation of the July 1, 2010 components (from the January 2009 final rule) to become effective on February 22, 2010 with the other CARD Act-related provisions. TSYS is very opposed to the escalation of those requirements and strongly urge you to consider the following:

- In preparation for achieving compliance by July 1, 2010, issuers had developed strategies and delivery schedules that included modifications to all of their disclosure documents. When the CARD Act was passed, with portions of the statement requirements escalated to February 22, 2010, these strategies were compromised and had to be re-engineered.

- This industry is highly complex due to the range of products and features offered to and enjoyed by consumers. Compliance with system development methodologies is vital to managing the extremely high risk factors in software development to support those products and features. This structure is necessary to minimize the potentially adverse impacts to consumers as well as merchants.

- When the CARD Act was enacted, preliminary software development efforts were immediately initiated based only on assumptions due to lack of any regulatory rules. With

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the issuance of the proposed final rules, modifications were required to conform to the proposal and additional software development was initiated, as well.

- With the issuance of the final rule expected at the end of December or early January, even further software development is anticipated to accommodate any changes between the proposed and final rule. This highly compressed time frame already compromises standard development methodologies resulting in significantly increased risk factors. From a processor's perspective, escalation of the July components would involve similar escalation of the extensive software development currently planned for delivery after February. It is not feasible to expect the volume of work to support the July components to be delivered by February.

- There is a similar domino effect to many other vendors and service providers supporting the industry; for example, legal resources, form providers, payment vendors, and data warehouses.

- Once the final rule is published, issuers will still be at a severe disadvantage to accomplish all that is necessary internally to comply with just the February components. Please consider protection of the consumer is at the heart of these changes. Ensuring consumers can obtain accurate support regarding the collateral changes is a critical component of implementing these new rules and must be given appropriate consideration.

- Issuers must modify the customer care tools and scripts to correspond to the final statement designs (and other collateral), as well as provide training on the new supporting policies and procedures. Customer-facing areas of all branches and bankcard centers must be trained in time for the first consumer call. The larger the issuer, the more staff there is to train, while continuing to support the daily business. Many issuers use a third-party provider for this customer support function, introducing yet another vendor for inclusion in the readiness exercise.

To additionally escalate the July components to February will unnecessarily and radically jeopardize the industry's ability to comply with both the February and July components.

MINIMUM PAYMENT REPAYMENT CALCULATIONS (Appendix M1)

TSYS is coding the repayment calculation as described in the proposed rule. In addition to the standard repayment statement disclosures, we appreciate the Board's recognition of negative and no amortization conditions and the provision of a different and appropriate statement disclosure for those scenarios.

TSYS has observed an account condition where the number of months/years for repayment is so high that the disclosure of that repayment period and total cost of repayment may no longer bring value to the consumer. In this situation, the rule of accuracy within two months may no longer bring value, as well.

The very high repayment periods may typically be the result of very low minimum payment requirements in proportion to the interest rate on the account. These accounts are very close to no amortization. This scenario may occur most frequently when issuers endeavor to provide temporary relief to consumers during periods of hardship, workout, disasters such as floods or hurricanes, acts of war, etc.

As a processor, the software program cannot be written to execute an *ad infinitum* number of cycles. These repayment calculations must occur at cycle for nearly every account, significantly increasing the amount of processing overhead. Statements must be generated, processed, and mailed within more compressed time frames. A maximum number of iterations must be defined to ensure processing can complete for all consumer accounts.

TSYS respectfully requests the Board consider establishing a reasonable maximum number of months/years for repayment and provide an appropriate statement disclosure message to reflect the account exceeds the number of months/years and total costs provided.

PENALTY RATE INCREASE NOTIFICATION (Appendix G-22)

Sample message G-22 below may be used to provide consumers with notice of a penalty rate increase when the payment is 60 or fewer days late. When this dual notification message is used, subsequent notification is not required when the account reaches 60 days late and the penalty rate is applied to the new balance as well as the protected balance.

Notice of Changes to Your Interest Rates

You have triggered the Penalty APR of 28.99%. This change will impact your account as follows:

Transactions made on or after 4/9/12: As of 5/10/12, the Penalty APR will apply to these transactions. We may keep the APR at this level indefinitely.

Transactions made before 4/9/12: Current rates will continue to apply to these transactions. However, if you become more than 60 days late on your account, the Penalty APR will apply to those transactions as well.

Sample message G-23 (below) is used to provide advanced notice when the account has reached 60 days late and triggered the penalty rate increase. This notification includes the cure criteria of six consecutive on-time payments.

Notice of Changes to Your Interest Rates

You have triggered the Penalty APR of 28.99% because we did not receive your minimum payment within 60 days of the due date. As of 5/10/12, the Penalty APR will apply to all existing balances and new transactions on your account.

If you make six consecutive minimum payments starting with your first payment due after 5/10/12, your rate will return to the Standard APR. If you do not make these six consecutive minimum payments, we may keep the Penalty APR on your account indefinitely.

TSYS request the Board consider modifying the G-22 message to also include the cure criteria of six consecutive on-time payments for reducing the penalty rate on the protected balances.

PRODUCT CHANGE/REPLACEMENT (Comment 226.5(b)(1)(ii))

The Board provided a list of relevant facts and circumstances for determining whether a product change/replacement constitutes a new account or a continuation of an existing account. This decisioning is critical because it drives whether the new terms are effective immediately or whether they require 45 days advance notice of a change in terms and protection of the existing balances.

TSYS points out that the first two considerations (whether the card issuer provides the consumer with a new credit card and whether the card issuer provides the consumer with a new account number) are really operational considerations.

- The payment brands (e.g., Visa and MasterCard) readily promote the necessity of "account number for life" to minimize consumer inconvenience (such as with recurring charges) when products are either upgraded or downgraded. This facilitates stronger consumer relationships and delivery of the right products to consumers in a more efficient manner.
- Similarly, most of the TSYS processing platforms also support retention of the existing account number when the product offered to the consumer is changed.
- In both of these situations, new credit cards would not be required to be issued to the consumer.

When the replacement or substitution is provided on an individual basis, the issuer is typically in direct communication with the consumer. The issuer is either responding to the consumer's direct request for the new product or proactively offering a product that will better serve the consumer's needs in response to a consumer's general request.

TSYS suggests replacements or substitutions provided on an individual basis are new accounts with new terms to be effective immediately. TSYS further suggests the Board specify that existing balances would immediately be subject to the new terms of the new product.

Every product offered to consumers provides different features and benefits that are supported by different pricing structures. A consumer chooses a product based on their needs and desires including whether they typically pay in full, carry a revolving balance, or enjoy features like points or rewards. A consumer should be able to choose a new product when their credit needs or desires change. An issuer should not be forced to protect existing balances at existing rates when the pricing of the new product doesn't support the same credit features that were offered on the consumer's previous product.

For example, a consumer may have an outstanding promotional balance or convenience check balance. The new product may only support purchase and cash features that may be at higher rates, but also offers a very robust rewards program. The consumer may be requesting or choosing this product because they typically pay in full so the rate is not material, but based on their transaction volume, the rewards may be substantially valuable. In this scenario, the application of the increased rates to the existing balances is no different than the consumer requesting an immediate balance transfer from the old product to the new product at the new terms. If another issuer offered a similar program, the consumer would be able to immediately transfer their existing balances to the new product.

The product replacement rules should clearly specify the current issuer can provide that same consumer benefit.

We appreciate the opportunity to provide these comments and welcome further discussion if desired.

Sincerely,

Victoria Strayer
Senior Director
TSYS Enterprise Business Compliance